

# HURLEY DEMANDS PRIVATE OWNERSHIP FOR THE AMERICAN MERCHANT MARINE

Wants New Ships Sold to Public at Market Price.

## ALIENS NOT TO BUY ANY

Scheme Would Encourage Initiative and Skill of American Marines.

(By Associated Press.) NEW YORK, March 27.—Private ownership of the great merchant marine which has been built by America under the stimulus of war, with such government regulation as would prevent watered stock and assure the use of the vessels on trade routes promoting the general welfare of the nation was put forward here tonight by Chairman Hurley of the Shipping Board as his plan for the peace-time operation of the government-built fleet. He was speaking before the National Marine League.

Announcing the most important reconstruction decision so far reached by any government department, Mr. Hurley said he would have the government sell the new ships at market prices, so the operators could compete with foreign tonnage, and would have the bottoms insured jointly by the government and American companies until the latter developed sufficiently to carry alone the enormous risk on more than one billion dollars worth of property.

No alien would be permitted to own any stock in any American vessel, and the transfer of vessels to foreign flags would be permitted only by the express consent of the government. "American ships for American trade" is the central thought of the plan that will be submitted to congress as a basis for legislation.

"We want the initiative and skill of American ship operators, but we want no watered stock," said Mr. Hurley. "We want to avoid the stagnation that sometimes comes from red tapes and bureaucracy, but we want no profiteering or exploiting."

"We want the new fleet used for the benefit of the people of the United States and not against their larger interest. We want it used in the development of the private fortunes of ship owners."

Comparing the problem of water transportation with the still unsolved question of railroad management, Mr. Hurley made a plea for public attention to the details proposed for operating a fleet which next year will aggregate 16,732,700 deadweight tons of tonnage, 76 per cent owned by the government. The present fleet includes 555 ocean going vessels of 3,835 deadweight tons and contracts have been let for 1,338 similar vessels of 9,275,008 deadweight tons.

"While the war was on, the record of shipbuilding achievements found a quick and ready response from an enthusiastic public," Mr. Hurley said. "There is less glamour and glory in the work of evolving a policy which will keep these ships under the American flag and develop our commerce, but this work touches the life of the nation almost as closely as the emergency shipbuilding program."

"Upon the development of our foreign commerce will depend in a large measure the prosperity of all the American people, the employment and happiness of labor and the respect of the nations which compete with us." Several plans were discussed as possible for the operation of the fleet, carrying from government ownership and government operation to private ownership and operation. Mr. Hurley announced flat opposition to the former which would entail permanent establishment of a government operating force with branch offices and agencies in every port of the world, and he also opposed intermediate plans such as government ownership and private operation or ownership by a single private corporation with the government guaranteeing a fixed return on the stock. He outlined the two great arguments in favor of government ownership, that government-built ships should be the servants of the nation and that in times of emergency a government-owned fleet could be more readily converted into the national defense.

"The chief argument in favor of private ownership and operation," he continued, "is that a successful merchant marine depends not so much on ships, or money, or Government aid, as it does on the existence of a large class of alert, resourceful and energetic men engaged in the shipping business. More mechanical efficiency of ship and shore plant, added to sound financial backing, is not enough. The man who enters the shipping business enters a battle against the wits of the world. He must have a genius for shipping. Fortunately the men now

engaged in the shipping business in the United States are of that character. But there is not enough of them. We need many more. And it is clear that the number of such men can be greatly increased only under conditions of private initiative."

The impossibility of providing rules for the operation of tramp steamers, which must carry return cargoes to be profitable and which may have to make triangular or polygon voyages in order to keep under load, was said to be another argument for private ownership.

Rules can be laid down which a government employee could follow, for the conditions are constantly changing," Mr. Hurley said. "A careful consideration of these arguments has led me to the conclusion that the ships should be sold to and operated by the American citizens under no restriction other than the terms of the bill of sale and the fixation of maximum freight rates."

"The ships should be sold at a price which fairly reflects the current world market for similar tonnage."

"Twenty five per cent of the purchase price of each ship should be paid down the remainder falling due and payable in graded annual installments over a period not exceeding ten years. The government should take and hold a mortgage for the unpaid balance, charging interest at the rate of five per cent. One fifth of this interest, representing the difference between the customary Government interest of four per cent and the customary commercial rate should be paid into a Merchant Marine Development Fund."

"The purchaser should be required to agree to insure and keep insured in an American Marine insurance company, his equity in the vessel, and because the American marine insurance market has not at present sufficient resources to underwrite all the vessels the government has to sell, the Government should carry in its own fund, as at present, but for premium's account, hull and machinery insurance covering that part of the vessel for which payment has not been made. Our experience in operation shows that the government can carry this insurance for at least one per cent less than the open market rate. However, it is proposed that the open market rate be charged and that the difference be paid into the Merchant Marine Development Fund."

"It is understood that no transfer of a vessel to foreign registry should be permitted without express permission of the government."

"Each purchaser who wishes to operate in the foreign trade should be obliged to incorporate under Federal charter, the necessary legislation for which should be passed by Congress without delay. Such a charter should provide that no stock shall be issued in excess of the money value actually paid in on vessel property, and that no stock can be issued or transferred to an alien."

"It should also provide that one member to the Board of Directors for each company shall be named by the Government. This director should draw no salary, either from the steamship corporation or from the government. He should receive only the customary director's fee for each meeting he attends."

"The same legislation should provide for periodical meetings of these

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government-owned directors, in Washington, where they will constitute an official body which will confer with and advise the Shipping Board, or other designated Government agency, upon problems arising in, or question affecting the welfare of, the American Merchant Marine including the administration of the Merchant Marine Development Fund.

"It is foreseen that a number of trade routes important to the immediate or future welfare of American commerce be established and developed. Some of these routes may not yield steamship operating profits until their existence shall have attracted an increased volume or better balance of trade. Revenue derived from the carriage of mail, and possible fees for the training of seamen and cadet officers, may partly compensate losses incurred on these routes. Still, in cases where the Government sells a ship upon condition that it be operated in a route which may not prove profitable at once, it will be necessary to provide for the payment of defaulted interest from the Merchant Marine Development Fund, in the discretion of the Shipping Board or other Government agency upon recommendation of the Board of Government Directors, until such time as the route may begin to yield profit. When the ships in the route earn their annual interest rate each year should be paid into the Merchant Marine Development Fund until all moneys drawn from the fund on account of the vessel in question shall have been replaced. The other half should go annually to the steamship stockholders."

"Such vessels cruising in routes which fall to prove susceptible of profitable development and which do not serve any purpose of the Government of the United States, may be transferred by the Government to other routes. However, should the government become convinced that any vessel has failed to make expenses solely or chiefly because of incapable

management, it may foreclose its mortgage on that vessel."

The Development Fund would amount to \$14,000,000 the first year and \$83,533,170 in ten years, which Mr. Hurley said he deemed sufficient to care for all deficiencies. He said this fund would take the place of government backing for the development of new trade routes, one of the strong arguments brought forward by the government ownership advocates.

Yet not one cent of this fund is drawn from the public treasury," he said. "Instead, the money represents profits foreborne by the government, which is not entitled to earn profit while engaged in developing the industries of its people. Neither can it be said that the money will be taken from the steamship business, for in no case will the operators be charged more than the current market price for similar service."

Mr. Hurley said three statutes would be necessary to carry out the plan—one to provide federal incorporation of steamship companies, another to extend the emergency power to carry marine insurance in the Shipping Board's fund, and the third to revise the present status of vessel mortgages to make them attractive to bankers and investors.

In beginning his address, Mr. Hurley declared the much criticised wooden ships had been the deciding factor in achieving victory. He revealed that Premier Lloyd-George had demanded that the British build wooden ships, even if they could make only two or three trips. Mr. Hurley said America's wooden ships would make many trips and that on the score of seaworthiness, the records showed that wooden ships were even between wood and steel construction. There are 115 wooden ships in service. Of the 792 contracts let, 214 have been cancelled as a result of the close of the war. Ships now being finished are not being equipped with engines and boilers but are being fitted out as sailing vessels or barges.



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